

November 12, 2002

MAINE PUBLIC SERVICE CO.
Request for Approval of
Reorganization of the Company
Into a Holding Company Structure

NOTICE OF PROCEEDING AND
PRE-HEARING CONFERENCE

I. DESCRIPTION OF FILING

On October 31, 2002 Maine Public Service Company (MPS or Company) filed a request for Commission approval of the formation of a Maine based holding company structure. Under this structure MPS, Energy Atlantic, as well as other affiliates which might be created at a later date, will become subsidiaries of a holding company (HoldCo). In its application, MPS states that the corporate restructuring will be accomplished through a "reverse triangular merger", similar to the one employed in *Central Maine Power Company Application for Approval of Reorganization, of Transactions with Affiliated Interests, and Transfer of Assets*, Docket No. 97-930

The proposed restructuring constitutes a reorganization requiring Commission approval pursuant to the provisions of 35-A M.R.S.A. §708. In addition to the proposed reorganization, MPS also requests the approval of certain stock issuances and affiliated interest transactions.

Specifically, MPS requests Commission approval of the following transactions and arrangements:

1. the creation of a corporation (HoldCo) that will become the parent company of MPS through its ownership of all outstanding company stock of MPS;
2. the creation of a corporation (MergeCo) whose only purpose will be to facilitate the corporate reorganization and which when organized will be a wholly owned subsidiary of HoldCo and which will cease to exist once it has served its purpose;
3. the conversion and exchange of all the outstanding shares of HoldCo's common stock to the degree that the conversion and exchange of MPS stock to be effected in that transaction is deemed to constitute as issuance of utility stock within the meaning of 35-A M.R.S.A. §§ 901 and 902;
4. the merger of MergeCo into the Company, with the Company as the surviving corporation, and the resulting conversion of the outstanding shares of MergeCo common stock into a number of

shares of the common stock of the Company equal to the number of shares of the Company's common stock outstanding immediately prior to the share conversion described in item 3 above, which will be deemed issued by the Company for this purpose;

5. the dividend by Maine Public of its limited liability company interests in Energy atlantic to HoldCo pursuant to 35-A M.R.S.A. §§ 708, 901 and 902;
6. the execution and delivery of the Managerial and Support Services Agreement and approval of the cost manual submitted in conjunction therewith pursuant to 35-A M.R.S.A. §707;
7. the winding up and dissolving of M&NB at such future time as MPS might deem appropriate pursuant to 35-A M.R.S.A. § 708; and,
8. the transfer, after the Merger Date, (i) of assets that are not "necessary or useful" within the meaning of Section 1101 of title 35-A, from MPS to any MPS affiliate, and (ii) the transfer of all other assets from MPS to HoldCo or any non-MPS HoldCo subsidiary in the total amount of up to \$1,000,000 over the three-year period beginning upon the Merger Date.

MPS requests that the Commission authorize the creation of HoldCo and MergeCo within thirty days of the date of its filing. This "interim approval" would be for the limited purpose of making necessary filings with the Securities and Exchange Commission under the Public Utility Holding Company and for executing a registration statement under federal securities law. As part of this request for interim approval, MPS represents that should the Commission deny its petition for reorganization, or if for any other reason their organization does not occur, it will dissolve both HoldCo and MergeCo

II. INTERVENTION

Interested persons wishing to intervene in this matter may do so by filing a Petition to Intervene in conformity with the provisions of Section 1320 of the Commissions Rule of Practice and Procedure by **November 19, 2002**. Petitions to Intervene should be addressed to:

Dennis Keschl, Administrative Director
Public Utilities Commission
242 State street
Augusta, ME 04333

A copy of the petition should be sent to:

Scott Sells, Attorney for Maine Public Service Co.
Curtis Thaxter Stevens Broder & Micoeau, LLC
P.O. Box 7320
Portland, ME 04112-7320

Objections to Petitions to Intervene may be made at the case conference scheduled below.

III. INITIAL CASE CONFERENCE

A case conference in this matter has been scheduled for November 20, 2002 at 1:00 p.m. in the Commission hearing room. At such time the following matters will be addressed:

1. petition to intervene and any objections thereto;
2. clarification of approvals requested;
3. procedures for disposing of MPS's request for interim approval;
4. ripeness of certain approval requests and/or appropriateness of bifurcating the schedule in the case; and,
5. overall schedule.

A copy of this notice will be sent to the service list in MPS's last general rate case, Docket No. 98-577.

Dated at Augusta, Maine, this 12th day of November, 2002.

BY ORDER OF THE HEARING EXAMINER

Charles Cohen

